

# MAINE INCOME TAX WITHHOLDING — PERCENTAGE METHOD — 2001

If you use the percentage method to compute Maine Income Tax Withholding, use the following steps:

**Step 1** — Convert total wages to annual amount. Multiply by 52 for weekly, 26 for biweekly, 24 for semimonthly, 12 for monthly, 260 for daily or miscellaneous payroll period.

**Step 2** — Multiply the number of withholding allowances the employee claims by \$2,850. Subtract the result from the annualized wage amount to compute the annualized taxable income.

**Step 3** — Compute the annualized tax amount using the following tax rate schedules based on the taxable income computed in step 2.

**NOTE:** A Low-Income Credit was enacted in 1997 that allows a credit for the amount of tax otherwise imposed on an individual whose Maine taxable income is \$2,000 or less. If the annualized tax amount computed in Step 3 is \$40 or less, the credit applies. In that case, change the withholding amount to zero for the pay period.

## For Single Taxpayers

### If the annualized wage is:

Less than	\$ 1,700
\$ 1,700 but less than	\$ 5,850
\$ 5,850 but less than	\$ 9,950
\$ 9,950 but less than	\$18,200
\$18,200 or more	

### The annualized tax is:

0%	
2% of excess over	\$ 1,700
\$ 83 plus 4.5% of excess over	\$ 5,850
\$ 268 plus 7% of excess over	\$ 9,950
\$ 846 plus 8.5% of excess over	\$18,200

## For Married Taxpayers with One Income

### If the annualized wage is:

Less than	\$ 4,750
\$ 4,750 but less than	\$13,000
\$13,000 but less than	\$21,250
\$21,250 but less than	\$37,750
\$37,750 or more	

### The annualized tax is:

0%	
2% of excess over	\$ 4,750
\$ 165 plus 4.5% of excess over	\$13,000
\$ 536 plus 7% of excess over	\$21,250
\$ 1,691 plus 8.5% of excess over	\$37,750

## Optional for Married Taxpayers with Two Incomes

### If the annualized wage is:

Less than	\$ 2,375
\$ 2,375 but less than	\$ 6,500
\$ 6,500 but less than	\$10,625
\$10,625 but less than	\$18,875
\$18,875 or more	

### The annualized tax is:

0%	
2% of excess over	\$ 2,375
\$ 83 plus 4.5% of excess over	\$ 6,500
\$ 268 plus 7% of excess over	\$10,625
\$ 846 plus 8.5% of excess over	\$18,875

**Step 4** — Divide the annualized tax amount computed in step 3 by the payroll frequency used in step 1 and round to the nearest dollar. The result is the amount of Maine income tax to be withheld from the payment being made.

**Example 1:** A single employee is paid \$165 for the week. He has in effect a Form W-4ME claiming two withholding allowances. Using the percentage method, compute his withholding as follows:

(1) Gross pay of \$165 x 52 weeks = \$8,580.

(2) Compute taxable income:

2 allowances x \$2,850 =	\$5,700
Annualized wage	\$8,580
Allowances	- 5,700
Annualized Taxable Income	\$2,880

(3) Compute annualized tax amount:

	<u>Rate</u>	<u>Tax</u>
\$2,880		
- 1,700	See Schedule	\$ 0.00
\$1,180	x 2%	23.60
Annualized Tax Amount		\$ 24.00

**See Note on previous page (under step 3). Because the annualized tax amount is less than \$40, this taxpayer qualifies for the low-income credit for this week. Therefore, the amount to be withheld for the week is zero.**

**Example 2:** A single employee is paid \$475 for the week. He has in effect a Form W-4ME claiming two withholding allowances. Using the percentage method, compute his withholding as follows:

(1) Gross pay of \$475 x 52 weeks = \$24,700.

(2) Compute taxable income:

2 allowances x \$2,850 =	\$5,700
Annualized wage	\$24,700
Allowances	- 5,700
Annualized Taxable Income	\$19,000

(3) Compute annualized tax amount:

	<u>Rate</u>	<u>Tax</u>
\$19,000		
- 18,200	See Schedule	\$846
\$ 800	x 8.5%	68
Annualized Tax Amount		\$914

(4) Annualized tax of \$914 divided by 52 = \$17.58 rounded to \$18. Withhold \$18 for the week.

**NOTE: If the payment involved is subject to flat rate federal withholding, flat rate state withholding of 5% must be withheld. Multiply the amount of payment by 5% to compute the amount of tax to withhold. Do not use the above steps.**